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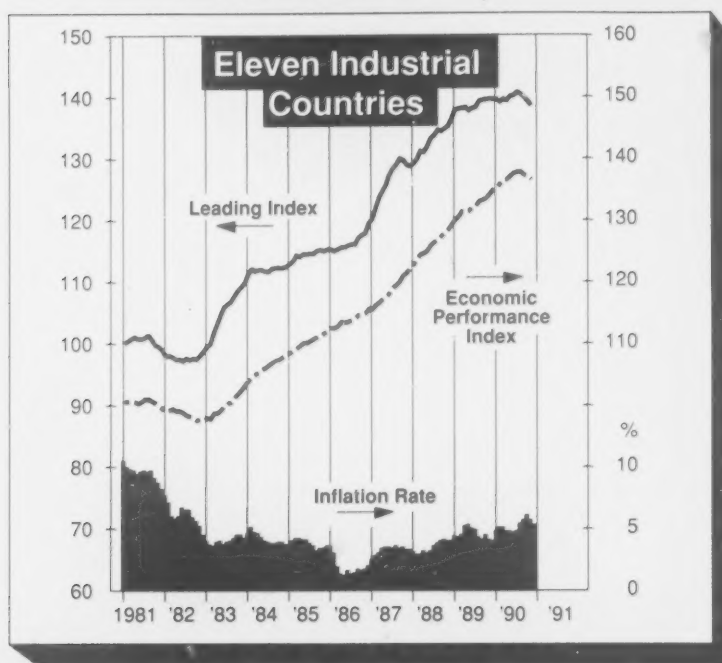
February 1991

International Economic Scoreboard

INSIDE:

- **Deepening & Widening
Economic Slowdown**
- **Three Regions — Three
Different Trends**
- **In This Recession, Is The
U.S. The Judas Goat?**

World Business Cycle



Summary of Growth Rates, Eleven Industrial Countries

	Ten-year Growth Rate 1976-86	Indexes of Economic Performance Growth Rates *			Leading Business Cycle Indexes Growth Rates *			Current Reading on the Cycle	Latest Month Covered
		6 mos. ago	3 mos. ago	Latest month	6 mos. ago	3 mos. ago	Latest month		
Eleven countries	3	4	3	-0	-1	1	-2	Expansion stopped, leaders weak	Nov.
Ten countries (U.S. excl.)	3	6	5	3	2	1	0	Expansion continuing, leaders weak	Nov.
North America (2)	3	1	0	-4	0	0	-4	Recession Continuing	Nov.
Europe (4)	2	6	5	3	1	2	2	Expansion continuing	Nov.
Pacific Region (5)	4	7	6	3	4	0	-1	Expansion continuing, leaders weak	Nov.
United States	3	2	-1	-4	0	0	-5	Recession Continuing	Dec.
Canada	3	1	-1	-3	-5	-3	-2	Recession Continuing	Nov.
Germany	2	6	6	4	3	5	7	Expansion continuing	Dec./Nov.
France	2	7	7	3	4	2	1	Expansion continuing, leaders weak	Nov./Dec.
United Kingdom	2	4	2	-1	-1	-1	-3	Expansion stopped, leaders weak	Dec.
Italy	2	5	3	2	1	0	-4	Expansion stopped, leaders weak	Oct./Nov.
Japan	4	8	5	5	4	-1	-2	Expansion continuing, leaders weak	Dec.
Korea, R.O.K.	7	8	7	5	1	9	6	Expansion continuing	Dec.
Australia	3	1	-5	-6	-6	-6	-5	Recession continuing	Dec.
New Zealand	2	4	2	0	-2	-3	-6	Leaders weak	Nov.
Taiwan, R.O.C.	8	-1	-1	0	-1	-5	-1	Expansion stopped, leaders weak	Dec.

* Ratio of current month's index over the preceding 12 months, expressed as a compound annual rate.

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Overview

Recession Threat Mounting — Inflation Threat Subsiding

The drift toward recession continues to gain momentum around the world. The evidence does not yet support the conclusion that a "global recession" is underway, but it's close to that. The 11-country performance index has been flat for 9 months and the leading index is declining at a 2 percent rate.

Three countries are clearly in recession—Australia, the United States, and Canada. At this point, their leading indexes offer no strong hope of an early reversal. Three other countries seem on the verge of recession—the United Kingdom, New Zealand, and Taiwan. For each, the record shows both the performance and leading indexes flat to down, though not yet decisively. Japan, France, and Italy show a somewhat ambivalent pattern, with their performance indexes still on the upgrade while their leading indexes have started to sag a bit.

The notable exceptions to the general pattern are Germany and Korea, where both the performance and leading indexes still look strong.

As expected, the inflation pattern is improving. The 11-country rate has dropped to 5.3 percent in December from 5.9 percent three months earlier. The main reason is still the fact that most of last summer's bulge in oil prices has passed through the system. We'd also like to think the recession is contributing to the gradual deflationary trend (as it normally does), but when, as is happening now, the economically weakest countries are showing increases in their inflation rates, that thesis is difficult to defend.

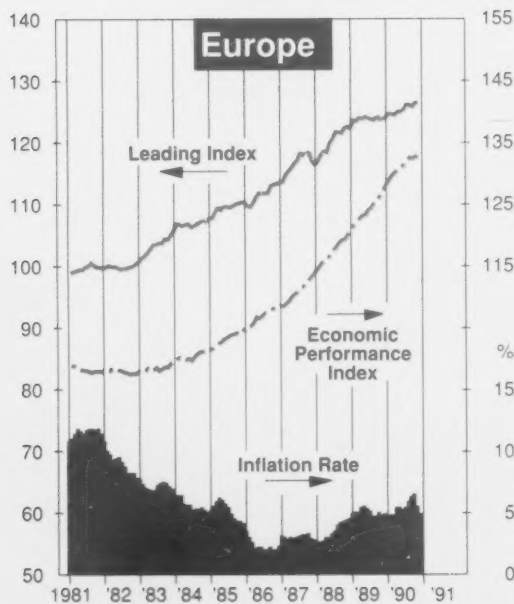
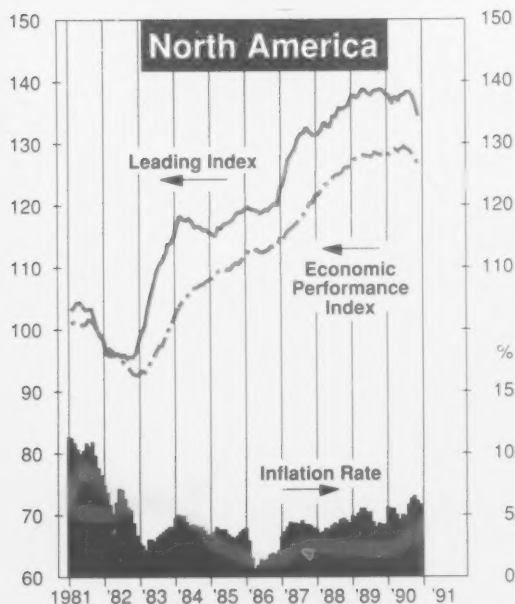
Summary of Inflation Rates, Eleven Industrial Countries

	Ten-year Inflation Rate 1979-89	6 mos.* ago	3 mos.* ago	Latest* month	Current Reading on Inflation	Latest Month Covered
annual rates, percent						
Eleven countries	5.3	4.7	5.9	5.3	Volatile	Dec.
Ten countries (U.S. excl.)	5.2	4.4	5.3	4.8	Volatile	Dec.
North America (2)	5.6	5.0	6.3	5.8	Volatile	Dec.
Europe (4)	6.6	5.2	6.3	4.9	Falling	Dec.
Pacific Region (5)	3.4	3.3	4.1	4.6	Rising	Dec.
United States	5.5	5.0	6.5	5.8	Volatile	Jan.
Canada	6.5	3.9	4.3	4.8	Rising	Dec.
Germany	2.9	2.3	4.0	2.9	Volatile	Jan.
France	7.3	2.9	4.2	3.4	Volatile	Dec.
United Kingdom	7.3	11.3	11.5	7.4	Falling	Dec.
Italy	11.2	5.9	6.5	6.7	Rising	Jan.
Japan	2.5	2.2	3.2	4.2	Rising	Dec.
Korea, R.O.K.	8.1	11.1	9.6	7.9	Falling	Dec.
Australia	8.4	7.4	5.1	7.1	Volatile	Nov.
New Zealand	11.8	6.4	5.4	4.6	Falling	Nov.
Taiwan, R.O.C.	4.4	4.1	10.2	2.7	Falling	Dec.

* Ratio of current month's index over the preceding 12 months, expressed as a compound annual rate.

Regions

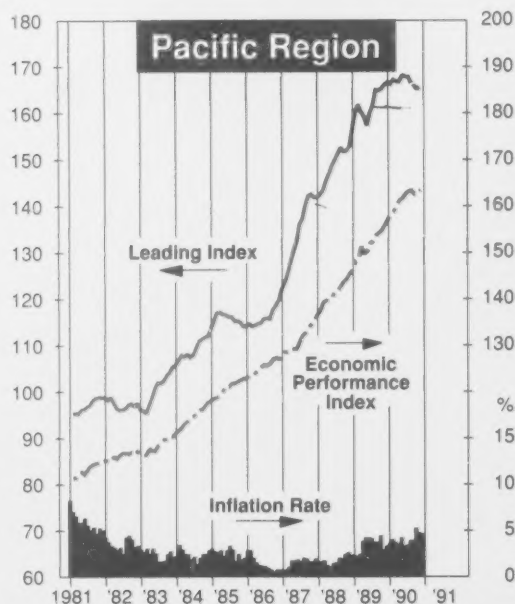
The Regions — Directional Dissidence



Despite the fact that the cyclical weakness is spreading internationally, the three major regions are headed in very different directions. North America provides the most unequivocal picture: With both the U.S. and Canada in recession, the regional composite indexes have turned down decisively.

Europe's cyclical pattern is quite healthy, at least in comparison with the rest of the world. The United Kingdom's economy is ailing a bit, and Italy and France are doing OK—at least they have avoided a downturn, although neither leading index makes a strong case that recession can be beaten back indefinitely. The economic star of the region is Germany, where persistent sturdy expansion in both the performance and leading indexes is carrying the whole region. The main force behind the German strength is, presumably, reunification and the reconstruction of East Germany. The tough question now is whether or not this economic lift will outweigh the coming tax increase.

The Pacific Region, with indexes firmer than North America's but less encouraging than Europe's, just seems not to know where it's headed. The uncertainty is reduced by looking at the pattern country by country. Clearly, Australia is in recession and Korea continues to expand. Taiwan and New Zealand seem on the verge of recession. But Japan, which is of a size that dominates the region, has a performance index that is still expanding but a leading index that dropped 2 1/2 percent in the second half of 1990. Which direction is Japan headed? When that is decided, then we'll know which way the Pacific Region will go.



JUDAS GOAT AGAIN?

Normally, most discussion of the global business cycle starts with the United States, partly because it is by far the largest economy, partly because its statistical arsenal is both more complete and more up-to-date, and partly because more often than not in the past the U.S. has led the rest of the industrial world into recession. This time, not so.

Most cyclical analysis uses the leading indexes, but to decide when a recession starts we want to look primarily at the performance indexes (comprised as they are of the comprehensive measures of production, employment, real income and real sales). The table below shows, for the six countries judged either to be in a recession or on the verge of one, the month when the performance index hit a peak and how much it has fallen since then.

<u>Month of Cyclical Peak</u>	<u>Country</u>	<u>Percent Decline Since Peak</u>
January 1990	Australia	5.4
January 1990	Taiwan	1.9
March 1990	Canada	2.4
May 1990	New Zealand	1.4
June 1990	United States	3.2
June 1990	United Kingdom	1.1

As the table shows, Australia is clearly the leader of this cyclical procession with the earliest starting date for its recession and the largest relative decline thus far. (Taiwan's index hit a peak the same month, but the pattern it has followed since then makes that peak look more than a little uncertain. Although the Taiwanese economy stopped growing more than a year ago, it's not at all clear that a cyclical downturn is in progress.) Then two other countries started down, Canada after March, and New Zealand after May. Next in line are the United States and the United Kingdom, following peaks in June.

With five other countries yet to be heard from, it is clear that the United States occupies an intermediate position with respect to the starting date of the current global downturn. This time around the U.S. cannot be accused of being the Judas goat leading the rest of the world into recession.

THE INTERNATIONAL ECONOMIC INDICATOR SYSTEM

This publication is designed to help readers monitor the ups and downs of the business cycle around the world. To this end, three statistical series are shown for each country. One is the inflation rate, calculated from the consumer price index compiled by the official statistical agency. The other two are cyclical indexes—an index of economic performance and a leading index. All of the cyclical indexes are based on 1980=100. The economic performance indexes are composites of such series as real GNP, industrial production, employment and sales—what analysts call “coincident” series, because they define the business cycle.

The leading indexes are composites of such series as new orders, construction contracts, corporate profits and stock prices—indicators that usually anticipate changes in production and employment by several months. Thus the indexes of economic performance tell us the current status of the business cycle, i.e., where we are, while the leading indexes tell us where the economy is headed.

Experience has shown that when the leading index begins to rise faster, it is a fairly safe rule that the economy will soon begin to rise faster too—typically after three or four months. When the leading index begins to rise more slowly or to decline, the economy is likely to follow suit shortly thereafter. (For details, see Phillip A. Klein and Geoffrey H. Moore, *Monitoring Growth Cycles in Market-Oriented Countries*, Ballinger Publishing Co. 1985.) Considerable variation in the length of the lead is to be expected, however. Constant monitoring is needed to make effective use of the system and to get early warnings of recessions and recoveries, changes in foreign trade flows, and new inflationary trends.

The indexes were developed by Geoffrey H. Moore and Phillip A. Klein, and are maintained by the Center for International Business Cycle Research at the Columbia Business School. (The U.S. indexes used here differ slightly from the indexes reported monthly by the U.S. Department of Commerce.) To facilitate analysis the indexes are adjusted so their long-run growth rates are equal to those in real GNP in the country concerned. Growth rates are shown in the first column of the table on page 2.

David Chon, Editor

For more information:

For more about this indicator system and the availability of detailed data for each country please address inquiries to: Center for International Business Cycle Research, Columbia Business School, New York, NY 10027 - Telephone: 212-280-2916.

INDEXES, WORLDWIDE AND BY REGION, 1989-90

11 Countries												10 Countries excl. U.S.				North America (2)				Europe (4)				Pacific Region (5)			
11 Countries												10 Countries excl. U.S.				North America (2)				Europe (4)				Pacific Region (5)			
Indexes, 1980=100												Growth Rates, Percent															
	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.							
July	89	132	138	135	138	128	138	125	124	153	162	4	3	6	3	2	1	5	2	7	6						
Aug.	89	133	139	136	139	129	139	126	124	154	165	5	3	6	4	2	2	6	1	7	9						
Sept.	89	133	139	137	139	128	139	126	124	154	165	4	3	6	4	2	2	5	2	7	8						
Oct.	89	134	140	137	139	128	139	126	124	155	166	4	3	6	3	1	2	6	1	6	7						
Nov.	89	134	140	138	139	128	139	127	124	156	166	4	2	6	3	1	1	6	0	7	7						
Dec.	89	135	140	139	140	129	138	128	124	157	167	4	2	6	3	1	0	6	1	7	6						
Jan.	90	135	140	140	140	128	138	129	125	158	166	4	1	7	2	0	-1	7	1	7	5						
Feb.	90	139	139	141	140	129	136	130	125	159	167	4	0	7	2	1	-3	7	1	7	5						
Mar.	90	136	140	142	140	129	138	130	125	160	167	5	1	7	2	1	-1	7	1	8	4						
Apr.	90	136	139	142	140	129	137	131	125	161	167	4	0	6	2	1	-2	6	1	8	3						
May	90	137	140	142	140	129	138	131	125	162	168	4	1	6	2	1	0	6	1	7	4						
June	90	138	140	143	140	130	138	132	125	163	168	4	1	6	2	2	0	6	2	7	3						
July	90	138	141	144	141	129	138	132	126	163	168	4	2	6	2	1	1	6	3	7	2						
Aug.	90	138	140	144	140	129	138	133	126	164	167	3	1	5	1	0	0	5	2	6	0						
Sept.	90	137	140	144	140	128	138	133	126	163	166	2	0	4	0	-1	0	4	2	4	-1						
Oct.	90	137	139	144	140	128	136	133	126	163	165	1	-1	3	0	-2	-2	4	2	4	-2						
Nov.	90	136	138	144	140	126	134	133	126	164	166	0	-2	3	0	-4	-4	3	2	3	-1						
Ten Year Annual Growth Rate, Percent																											
	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	2	2	4	4	4	4						

INDEXES, ELEVEN COUNTRIES, 1989-90

		U.S.		Canada		Germany		France		U.K.		Italy		Japan		Korea, R.O.K.		Australia		New Zealand		Taiwan, R.O.C.	
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
Indexes, 1980=100																							
July	89	128	139	134	125	120	127	137	129	125	119	114	118	150	162	217	218	148	130	108	117	190	229
Aug.	89	128	140	134	125	120	126	138	129	126	119	115	118	151	165	220	224	149	132	107	118	191	231
Sept.	89	128	140	134	125	120	128	139	130	126	118	116	118	152	165	220	224	150	130	108	118	190	232
Oct.	89	128	140	134	125	121	128	140	129	126	116	116	118	152	166	222	220	149	130	109	120	192	233
Nov.	89	128	140	135	124	122	129	141	129	127	116	117	118	154	167	220	222	150	128	110	119	194	234
Dec.	89	128	139	135	124	123	130	141	128	128	116	118	118	155	168	224	221	151	128	110	119	193	234
Jan.	90	128	139	135	123	124	130	143	128	128	118	118	119	156	167	227	222	151	128	110	119	197	236
Feb.	90	128	138	135	123	125	130	143	127	128	118	119	118	156	168	233	231	150	127	110	118	193	247
Mar.	90	129	139	136	123	126	130	144	128	129	118	119	118	158	168	235	227	150	126	111	117	194	242
Apr.	90	128	138	135	121	125	130	145	129	129	118	119	118	159	168	236	225	150	125	111	117	191	239
May	90	129	140	135	120	127	130	145	130	129	117	119	118	160	170	233	227	150	126	112	117	194	238
June	90	129	140	135	121	127	131	146	131	130	117	120	118	161	170	234	225	150	124	111	116	192	234
July	90	129	140	135	121	128	132	147	132	129	116	119	118	162	169	236	226	148	124	111	116	191	234
Aug.	90	128	140	134	121	129	133	148	132	129	116	120	118	162	168	238	228	147	124	111	116	191	233
Sept.	90	128	139	134	121	128	134	148	130	129	116	120	115	161	167	238	235	146	123	110	115	192	229
Oct.	90	127	138	133	121	129	135	148	131	129	116	120	116	162	166	234	230	144	122	111	115	195	229
Nov.	90	126	136	132	120	130	136	148	131	128	115	115	163	166	236	236	141	122	110	113	195	235	
Dec.	90	125	135			129			130	128	115			164	166	239	235	143	121			193	235
Growth Rates, Percent																							
July	89	2	1	2	1	5	5	8	0	5	-1	2	1	6	7	6	2	11	1	-4	3	5	8
Aug.	89	2	2	3	1	5	3	8	0	5	-1	3	2	7	10	8	7	11	3	-5	4	5	9
Sept.	89	2	2	3	1	4	5	8	2	5	-2	4	1	7	9	7	6	10	0	-3	4	4	9
Oct.	89	1	2	2	0	4	5	8	-1	5	-4	5	1	6	8	7	2	7	-1	-1	5	5	7
Nov.	89	1	1	2	-1	5	5	9	-1	4	-5	6	1	7	8	5	3	7	-3	1	4	6	8
Dec.	89	1	0	2	0	6	6	8	-3	5	-4	7	1	7	7	7	1	7	-4	1	3	4	7
Jan.	90	0	-1	2	-2	7	5	8	-3	4	0	6	2	7	6	9	2	6	-4	2	2	7	7
Feb.	90	1	-3	2	-2	8	5	8	-3	4	0	6	1	7	5	13	10	4	-4	2	0	3	15
Mar.	90	1	-1	2	-2	8	3	7	-2	4	-1	6	1	8	5	13	5	2	-6	2	-1	2	9
Apr.	90	0	-2	2	-5	6	3	7	0	4	0	5	1	9	4	12	2	2	-6	2	-2	-1	5
May	90	1	0	1	-5	7	3	7	1	4	-1	4	1	8	5	8	4	0	-5	4	-2	2	3
June	90	2	0	1	-4	6	3	7	4	4	-1	4	-1	8	4	8	1	1	-6	2	-3	-1	-1
July	90	1	1	1	-3	7	4	7	5	3	-2	3	1	8	3	8	2	-2	-6	3	-2	-1	-1
Aug.	90	0	1	-1	-3	8	5	7	4	2	-3	3	0	7	0	8	3	-4	-5	2	-3	-2	-3
Sept.	90	-1	0	-1	-2	6	6	6	2	2	-1	3	-5	5	-1	7	9	5	-6	-1	-4	-1	-5
Oct.	90	-2	-2	-2	-2	6	6	5	2	1	-1	1	-2	5	-2	2	4	-6	-6	0	-4	2	-5
Nov.	90	-4	-5	-3	-2	6	7	3	3	-1	-2		-4	5	-2	3	8	-10	-4	0	-6	2	0
Dec.	90	-4	-5			4			1	-1	-3			5	-2	5	6	-6	-5			0	-1
Ten Year Annual Growth Rate, Percent																							
1976-86		3	3	3	3	2	2	2	2	2	2	2	2	4	4	7	7	3	3	2	2	8	8